

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

STATE CONTROLLER SUED BY TOBACCO INDUSTRY TO EXTINGUISH RELEASE OF PROP. 10 FUNDS

*Connell Vows to Fight Tobacco Effort to Eradicate Funds Earmarked for Childhood
Development and Smoking Prevention Programs*

LOS ANGELES, January 7, 1999 -- State Controller Kathleen Connell announced today that her office was named in a suit filed by the Tobacco Industry seeking to stop the Controller from issuing funds needed to implement Prop. 10, recently passed by California's voters.

The lawsuit, filed by the California Association of Retail Tobacconists Inc., Liberty Tobacco and JMG International Inc., contends that Prop. 10 is unconstitutional because it creates a commission that is not under state control with staff members who are not state employees. The suit also claims that Prop. 10 violates California's constitution by imposing a direct tax on tobacco products to fund early childhood development programs which, according to the suit, is completely unrelated to the subject matter being taxed.

"Once again, the Tobacco Industry is trying to flex its financial muscle to achieve its goal and once again it's at the expense of California's children," said Connell. "The Tobacco Industry had its chance. They spent millions of dollars trying to stop the passage of Prop. 10 and made their case to voters. Californians flatly rejected their claim. I intend to fight this lawsuit until my last breath."

As passed by voters in November, Prop. 10 enacts a \$.50 per pack tax on cigarettes. The state is also required to impose an additional \$.50 per pack tax as mandated by the passage of Prop. 99 in 1988.

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Tax revenues provided by Prop. 10 are to be used, in part, to fund the newly created California Children and Families First Commission. The commission's purpose is to provide educational material and formulate guidelines for the establishment of comprehensive early childhood development and smoking prevention programs. Funds would also be placed in a trust fund for the commission.

"The programs these tobacco firms are seeking to defund are designed to educate young people on the dangers of smoking and stop the cultivation of a fresh crop of smokers," said Connell. "It's the responsibility of the Controller's Office to ensure that the tax revenues intended for these smoking prevention programs are delivered."

The State Controller's Office was named party to the suit because it has the constitutional and statutory responsibility for drawing warrants used to pay the commission's staff and expenses. The Governor, Assembly Speaker, State Board of Equalization, Treasurer and California Senate Rules Committee were also named in the suit. It is anticipated that the Attorney General will defend the Controller's Office in this matter.

"We expect to deliver a vigorous defense against this lawsuit," Connell added. "We believe the constitutionality of this proposition is crystal clear and California's voters should have the last word."

The lawsuit was filed in California Supreme Court and served to the Controller's Office on January 4, 1999. Currently, no date has been set by the Court to hear this matter. Prop. 10 was supported by 50.5 percent of California's voters. The Controller's remarks were delivered at CHLA Child Development Center in Los Angeles.

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